

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company)	
The Peoples Gas Light and Coke Company)	
)	Docket No. 16-
Petition Pursuant to Section 8-104 of the)	
Public Utilities Act to Submit an Energy)	
Efficiency Plan)	

DIRECT TESTIMONY
OF
LYNN M. HOSTY

1 Q. Please state your name and business address.

2 A. Lynn M. Hosty, 200 East Randolph Street, Chicago, Illinois 60601.

3 Q. By whom are you employed?

4 A. WEC Business Services LLC ("WBS").

5 Q. What position do you hold with WBS?

6 A. I am a Senior Rate Analyst in Gas Regulatory Services.

7 Q. What are your responsibilities in that position?

8 A. I am responsible for performing activities related to rate research, rate
9 design, rate and tariff administration, and billing and rate impact studies for
10 Petitioner, The Peoples Gas Light and Coke Company ("Peoples Gas"), and an
11 affiliated company, North Shore Gas Company ("North Shore").

12 Q. Please summarize your educational background and experience.

13 A. In 1994, I graduated from Lewis University with a Bachelor of Arts Degree
14 with majors in Accounting and Finance. I have been employed by WBS (formerly
15 known as Integrys Business Support, LLC ("IBS")) in my current position since

June 2015. I was employed by IBS from January 2014 through June 2015 as a Senior Rate Analyst and employed by Peoples Gas or its affiliates from 1994 through 2014. I have been employed in various positions and levels of responsibility at Peoples Gas/IBS in the Accounting and Financial Departments.

Q. Please give a brief description of the operations and status of North Shore.

A. I am advised by counsel that North Shore is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 200 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of purchasing natural gas for and distributing and selling natural gas to approximately 159,000 customers in Cook and Lake Counties, Illinois. I am advised by counsel that North Shore is a public utility within the meaning of the Public Utilities Act ("Act").

Q. Please give a brief description of the operations and status of Peoples Gas.

A. I am advised by counsel that Peoples Gas is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 200 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of purchasing natural gas for and distributing and selling natural gas to approximately 830,000 customers in the City of Chicago. I am advised by counsel that Peoples Gas is a public utility within the meaning of the Public Utilities Act.

Q. Please describe the subject matter of this proceeding.

38 A. Public Act 96-0033, among other things, added Section 8-104 to the Act
39 and this section requires gas utilities serving more than 100,000 customers to file
40 an energy efficiency plan every three years. North Shore and Peoples Gas each
41 meet this criterion. Accordingly, the Utilities are filing their third 3-year plans (the
42 “Plan 3” covering Program Years 7 through 9¹) covering the period June 1, 2017,
43 through May 31, 2020 (“PY7-9”). The Utilities’ first 3-year plan (Plan 1), with its
44 compliance plan filed June 22, 2011, in Docket No. 10-0564, covered June 1,
45 2011 through May 31, 2014 (Program Years 1 through 3). The Utilities’ second
46 3-year plan (Plan 2), with its compliance plan filed June 19, 2014, in Docket No.
47 13-0550, covered June 1, 2014 through May 31, 2017 (Program Years 4 through
48 6). Section 8-104(f) includes specific savings, by year, and for each three-year
49 period that a gas utility must meet, subject to certain exceptions. Implementation
50 of programs to achieve these statutory savings requirements is split between the
51 utility and the Department of Commerce and Economic Opportunity (“DCEO”).
52 Each utility is required to provide eighty percent (80%) of the savings while
53 DCEO is to provide twenty percent (20%) of the savings.

54 Q. Are you including any attachments with your testimony?

55 A. Yes, I am attaching the following exhibits with my testimony:

56 NS-PGL Ex. 2.1N, Calculation of Savings Targets, represents the
57 calculation of the required savings in therms for North Shore by year for Program
58 Years 7 through 9. The calculation is based on actual 2009 therm deliveries as
59 required under Section 8-104(c).

¹ Program Year 7 is June 1, 2017 - May 31, 2018; Program Year 8 is June 1, 2018 - May 31, 2019; Program Year 9 is June 1, 2019 - May 31, 2020.

NS-PGL Ex. 2.1P, Calculation of Savings Targets, represents a similar calculation of the required savings for Peoples Gas.

NS-PGL Ex. 2.2, Calculation of Section 8-104(d) Rate Impact Cap, represents the calculation of the annual statutory cap limiting the dollar amount of recoveries from customers through Rider EOA, Energy Efficiency and On-Bill Financing Adjustment. The calculation is based on forecasted activity for Program Year 7 (the period of June 1, 2017 through May 31, 2018).

NS-PGL Ex. 2.3, Calculation of Forecasted Per-Therm Charges, represents the calculation of forecasted per-therm charges under Rider EOA for the PY7-9.

Q. Please summarize your testimony.

A. The purpose of my testimony is to:

1) describe the calculation of the Savings Targets required to meet the goals set out in the Act;

2) describe the calculation of the Rate Impact Cap;

3) describe the impact of the Rate Impact Cap on North Shore's and Peoples Gas' ability to meet the mandated annually increasing goals for PY7-9; and

4) describe the calculation of the Forecasted Per-Therm Charges based on the annual budgets.

Testimony and calculations are based on the Plan 3. Calculations are consistent with the methodologies from the two previous approved three-year plans (Plan 1 and Plan 2) and the Orders in Docket No. 10-0564 and Docket No.

83 13-0550. Utilities witness Michael Marks (NS-PGL Ex. 1.0) describes the
 84 Utilities' Plan.

85 Q. Are there any changes to Rider EOA?

86 A. No. Rider EOA is unchanged from what the Commission approved in
 87 Docket No. 13-0550.

88 Savings Targets

89 Q. What savings targets apply to North Shore and Peoples Gas for the Plan 3
 90 ?

91 A. The statutory savings goals for the Third Plan Period for Program Years 7
 92 through 9 are 1.4%, 1.5% and 1.5%, respectively, for the cumulative savings of
 93 4.4% over the three year period under Section 8-104(c). Per Section 8-104(c),
 94 the savings goals are applied to the total amount of gas delivered to retail
 95 customers for Calendar 2009. Gas delivered in 2009 to retail customers is
 96 calculated as 1,754,194,737 therms for Peoples Gas and 346,897,375 therms for
 97 North Shore. Gas delivered to retail customers represents all therms delivered,
 98 less therms delivered for firms that DCEO reported as exempt and self-directing
 99 per Section 8-104(m).²

100 The resulting savings targets for the Peoples Gas program for the three
 101 years (in therms) are:

	<u>Peoples Gas</u>	<u>DCEO</u>	<u>Total</u>
102 Program Year 7	19,646,981	4,911,745	24,558,726

² 220 ILCS 5/8-104(m) allows certain larger industrial customers in certain sectors or those using natural gas as a feedstock to designate themselves as a "self-directing customer." As applicable to this proceeding, those self-directing customers' deliveries are not included within the utility program goals.

104	Program Year 8	21,050,337	5,262,584	26,312,921
105	Program Year 9	21,050,337	5,262,584	26,312,921

106 The resulting savings targets for the North Shore program for the three
 107 years (in therms) are:

108		<u>North Shore</u>	<u>DCEO</u>	<u>Total</u>
109	Program Year 7	3,885,250	971,313	4,856,563
110	Program Year 8	4,162,769	1,040,692	5,203,461
111	Program Year 9	4,162,769	1,040,692	5,203,461

112 The calculation of savings targets is included in NS-PGL Ex. 2.1N and NS-
 113 PGL Ex. 2.1P.

114 Rate Impact Cap

115 Q. Please describe the calculation of the statutory 2% cap described in
 116 Section 8-104(d) that limits recoveries from customers through the rider.

117 A. The calculation of the statutory cap (“Rate Impact Cap”) is included in NS-
 118 PGL Ex. 2.2. The calculation is based on estimated amounts for Program Year
 119 7.

- 120 • Line 1 states the Total Gross Revenues forecasted for Program Year 7.
- 121 This amount includes all amounts included in customers’ bills including
- 122 service charges, gas charges, riders and taxes.
- 123 • Line 2 adds estimated amounts for commodity for the Utilities’ small
- 124 volume transportation customers served by certified alternative gas
- 125 suppliers.

- 126 • Line 3 backs out amounts included in the forecasts for energy efficiency
127 and associated taxes.
- 128 • Line 4 removes amounts related to exempt and self-directing customers
129 per Section 8-104(m).
- 130 • Line 5 shows the resulting total annual retail billings.
- 131 • Line 6 shows the annual statutory caps for recovery through Rider EOA
132 that are the result of multiplying the total annual retail billings by 2%. The
133 statutory caps for the Third Plan Period are \$27,238,920 for Peoples Gas
134 and \$3,957,991 for North Shore annually.

135 The Utilities' proposals are within the caps as demonstrated on NS-PGL Ex. 2.3,
136 Page 1, Line 52, Cols. E and I for Peoples Gas and North Shore, respectively.

137 Q. How are the budgetary caps reflected in the Plan?

138 A. The budgetary caps limit the funding available for offering energy
139 efficiency measures for the Plan 3. As a result, the budgets and programs
140 reflected in the Plan were developed based on the maximum funding allowable
141 under the budgetary caps, rather than on levels of funding and activity required to
142 achieve the annually increasing statutory goals.

143 Q. Was this issue addressed in the Act?

144 A. Yes. Section 8-104(d) of the Act states:

145 Notwithstanding the requirements of subsection (c) of this
146 Section, a natural gas utility shall limit the amount of energy
147 efficiency implemented in any 3-year reporting period
148 established by subsection (f) of Section 8-104 of this Act, by
149 an amount necessary to limit the estimated average increase
150 in the amounts paid by retail customers in connection with
151 natural gas service to no more than 2% in the applicable 3-
152 year reporting period. The energy savings requirements in

153 subsection (c) of this Section may be reduced by the
 154 Commission for the subject plan, if the utility demonstrates by
 155 substantial evidence that it is highly unlikely that the
 156 requirements could be achieved without exceeding the
 157 applicable spending limits in any 3-year reporting period.

158 Utilities witness Mr. Marks discusses the proposed programs and levels of
 159 savings realizable under the budgetary cap in his direct testimony.

160 Forecasted Per-Therm Charges

161 Q. How does the Company's recover energy efficiency expenses?

162 A. We recover our energy efficiency and on-bill financing costs thru the
 163 Commission approved Rider EOA, Energy Efficiency and On-Bill Financing
 164 Adjustment in Docket No. 10-0564.

165 Q. What are the Utilities' estimated total per-therm adjustments under Rider
 166 EOA for energy efficiency and on-bill financing?

167 A. As shown in NS-PGL Ex. 2.3, Page 1, Lines 15, 32 and 49, Columns B, C
 168 and D, the estimated per-therm Effective Components for Peoples Gas for the
 169 three Program Years are:

	Program	Program	Program
	Year 7	Year 8	Year 9
172 S.C. No. 1	\$0.0162	\$0.0158	\$0.0168
173 S.C. No. 2	\$0.0194	\$0.0205	\$0.0200
174 S.C. Nos. 4, 5, 7 and 8	\$0.0115	\$0.0120	\$0.0119

175 Service Classification ("S.C.") No. 1 is Small Residential Service. S.C. No. 2 is
 176 General Service. S.C. No. 4 is Large Volume Demand Service. S.C. No. 5 is
 177 Contract Service for Electric Generation. S.C. No. 7 is Contract Service to
 178 Prevent Bypass. S.C. No. 8 is Compressed Natural Gas Service.

179 As shown in NS-PGL Ex. 2.3, Page 1, Lines 15, 32 and 49, Columns F, G
 180 and H, the estimated per-therm Effective Components for North Shore for the
 181 three Program Years are:

182		Program	Program	Program
183		Year 7	Year 8	Year 9
184	S.C. No. 1	\$0.0097	\$0.0098	\$0.0101
185	S.C. No. 2	\$0.0176	\$0.0180	\$0.0179
186	S.C. Nos. 4, 5, and 7	\$0.0131	\$0.0137	\$0.0133

187 The service classification names for North Shore are the same as for Peoples
 188 Gas, except that North Shore does not have an S.C. No. 8. Please refer to NS-
 189 PGL Ex. 2.3 for detailed breakouts of dollars and per-therm Effective
 190 Components by Service Classification and by Residential Energy Efficiency,
 191 Commercial and Industrial Energy Efficiency, and On-Bill Financing categories.

192 Q. How does Rider EOA address funds available to DCEO?

193 A. For each Program Year, DCEO is entitled to 25% of the available funds
 194 approved by the Commission and billed through Rider EOA for energy efficiency.

195 Q. Does this conclude your direct testimony?

196 A. Yes, it does.